

November 1974

MEMORANDUM

Forecasting Soviet Grain Output

The CIA Office of Economic Research (OER) is responsible for following Soviet grain production and for making forecasts of the grain crop during the growing season. Status reports and crop forecasts are routinely published and disseminated to members of the Intelligence Community and to other government departments and agencies concerned with the international grain trade. The consumers of our reports include the Departments of Agriculture, State, and Treasury, the Office of Management and Budget, the Council of Economic Advisers, the Council on International Economic Policy, and the staff of the National Security Council.

The first estimate of the size of the Soviet grain crop is usually made in June and estimates are updated every 10 days until the harvest is completed in October. Because of changes in weather conditions and other factors that influence production, estimates of grain output fluctuate during the growing season. The following is a chronology of OER's published estimates of Soviet grain output in 1974:

| <u>Date</u> | <u>Estimate</u> <u>(million metric tons)</u> |
|--------------|---|
| 1 June | 190 |
| 6 July | 205 |
| 4 August | 198 |
| 14 August | 197 |
| 25 August | 196 |
| 10 September | 198 |
| 10 October | 195 |

The methodology employed in forecasting the Soviet grain crop has evolved very substantially over the years. The attached unpublished draft report, A New Crop Forecasting Model for the USSR, provides a detailed

description of the model used in 1973; the model has since been refined for use in 1974 and further refinements will be made for use in 1975. It should be emphasized that forecasting models are not relied upon completely for making estimates of the Soviet grain crop. Model outputs are modified to take account of collateral information on such factors as the timing of planting, machinery availability, fertilizer supplies, the quality of seed stocks, and harvesting conditions.

Mr. Phillip J. Thomas
MEMORANDUM FOR: General Accounting Office

Attached is the statement regarding Soviet grain I promised to you when we met earlier this month. I am also attaching for your edification a copy of the methodologies currently being used for forecasting Soviet grain crops.

In our discussions I told you that the Soviets have a permanent purchasing agent in Chicago. I was in error. The agent for EKSPORTKHLEB, the Soviet Grain Trading Organization, is located in New York City.

STATINTL

Paul V. Walsh
ADDI

15 Nov 1974
(DATE)

FORM NO. 101
1 AUG 54 REPLACES FORM 10-101
WHICH MAY BE USED.

(47)

Attachments:

1. Blind Memo dtd November 1974, Subject: Forecasting Soviet Grain Output
2. Draft entitled "A New Crop Forecasting Model for the USSR"

Distribution:

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